

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4462-01
Bill No.: SB 1235
Subject: Insurance - General; Insurance Dept.
Type: Original
Date: February 17, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator, Department of Economic Development (DED) - Division of Finance, DED - Division of Credit Unions, Department of Insurance, Department of Social Services, and Office of State Public Defender** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Corrections and Office of Prosecution Services** did not respond to our request for a statement of fiscal impact. **Oversight** assumes any costs incurred by these agencies would be minimal and absorbable within current funding levels.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

Under the current law, the Director of the Department of Insurance must disallow as an asset or deduction from liability to any ceding insurer any credit for reinsurance unless the reinsurance is payable to the ceding company and to its receiver if the ceding company is impaired or insolvent. This proposal removes the requirement that the ceding company be impaired (Section 375.246).

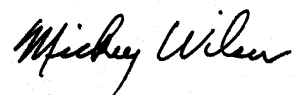
This proposal provides that nothing shall deprive a party in interest of any contractual right to pursue arbitration of a dispute during a liquidation proceeding except during the stay period and claims against the estate (Section 375.1176). Under this proposal, no setoff shall be allowed where the obligations between the person and the insurer arise from reinsurance relationships resulting in business where either the person or insurer has assumed risks and obligations from the other party and then has ceded back to that party substantially the same risks and obligations (Section 375.1198). The proposal also removes the December 31, 2005 sunset date on two provisions of Section 375.1220 which allow an estimation of contingent liabilities to be used to fix creditors' claims during the liquidation process (Section 375.1220).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of State Courts Administrator
Department of Economic Development -
 Division of Finance
 Division of Credit Unions
Department of Social Services
Department of Insurance
Office of State Public Defender

NOT RESPONDING: Department of Corrections and Office of Prosecution Services



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February 17, 2004